



Dominion Energy South Carolina Rate Increase Request

Docket No. 2020-125-E

Dominion Energy South Carolina (DESC) filed an application to increase its rates by approximately 7.7% with the Public Service Commission of South Carolina (PSC) in August 2020. After reviewing DESC's application, the ORS made recommendations to the PSC on November 10, 2020.

Review Summary

	DESC Application	ORS Adjustment
Total Revenue Requested	\$2.246 billion	\$2.078 billion
Total Revenue Increase Requested (\$)	\$178 million	\$10.28 million
Total Revenue Increase Requested (%)	7.75%	0.48%

Average Monthly Bill of Residential Consumers Using 1,000 kilowatt hours per month		
Current (2020)	\$122.31	
	DESC Application	ORS Adjustment
If Rate Increase is Approved (March 2021)	\$131.99	\$122.32
Potential Increase in Average Monthly Bill	\$9.68 (7.91%)	\$0.01 (0.008%)

\$122.32 includes both the DSM Rider decrease of \$0.62 and the Storm Damage Rider increase of \$0.31. Excluding the DSM Rider decrease and Storm Damage Rider increase, a residential bill would increase from \$122.31 to \$122.63, an increase of \$0.32 (0.26%). In its application, DESC requests that new rates go into effect for bills on and after the first billing cycle of March 2021.

DSM Rider

DESC has proposed to update its currently approved "Demand Side Management" (DSM) Rider rates to incorporate the changes from Commission Order No. 2020-332. This will decrease the average monthly bill for the typical residential customer on Rate 8 using 1,000 kWh by approximately \$0.62.

Storm Damage Rider

DESC requests to reinstate the Storm Damage Rider. Money is collected from consumers to be used to offset storm damage costs related to weather events. Under the ORS' proposal, the \$0.31 increase that DESC seeks would not impact customers until the 2021 hurricane season.

Adjustments During Discovery

During the discovery process, several mistakes were identified and corrected, resulting in a reduction of approximately \$11 million from the proposed revenue increase requested.

ORS Adjustments

Return on Equity

A return of equity (ROE) is the allowed rate of profit for a regulated company. After the evaluation of DESC's proposed capital structure and overall cost of capital, the ORS recommended a lower ROE than in DESC's application.

	DESC Application	ORS Recommendation	Approximate Reduction to DESC's Request
Return on Equity	10.25%	8.90%	\$55 million
Long-term Debt Rate	6.46%	5.56%	\$32 million
Depreciation	\$6.99 million	-\$11.70 million	\$18.69 million
Amortization and Refund Period of Excess Deferred Income Taxes	50 years	5 years	\$15 million
Bonuses Recovered*	\$21.63 million	\$15.74 million	\$5.89 million

**In its application, DESC proposed a reduction in the amount of bonuses it wishes to recover from consumers. The ORS recommends further reducing that amount by nearly \$6 million.*

Long-term Debt Rate

DESC did not remove certain costs associated with the cancellation of V.C. Summer Units 2 and 3, which resulted in an increase in the cost of long-term debt. DESC committed to not passing these cancellation costs to consumers and ORS determined the increase in long-term debt cost is not recoverable from consumers.

Amortization and Refund Period of Excess Deferred Income Taxes

The Tax Cuts and Jobs Act of 2017 reduced tax rates for businesses and individuals. This tax cut resulted in unprotected property-related excess deferred income taxes (EDIT) for DESC. DESC is in the process of returning those excess collected taxes to consumers. A shorter time period is appropriate for refunds to the customers who paid excessive taxes collected in prior years rather than providing their refunds to future customers over the next 50 years.

Additional Recommendations

The ORS also recommended many other adjustments to DESC's application that result in a reduction to the total revenue requested.

Depreciation

When setting utility rates, depreciation refers to the rate a utility can recover its infrastructure investments in a systematic and rational manner. After reviewing the interim retirement and salvage rate of assets, the ORS recommends reducing DESC's proposed depreciation accrual.

Bonuses Recovered

DESC included bonuses for employees tied to the company meeting performance goals. Incentive payments based on financial performance measures should be paid from increased earnings and not by consumers. The ORS recommended the removal of these bonuses as well as 50% of the base salary and benefits for the four highest compensated executives.

About the Office of Regulatory Staff

The ORS represents consumers of investor-owned utilities in South Carolina before the PSC. The PSC is the state agency that sets utilities' rates. The ORS must look at the impact to the consumer and utilities' continued investment in reliable and high-quality services.